

OPEN MEETING AGENDA ITEM

BEFORE THE ARIZONA CORPORATION COMMISSION



0000153503

**COMMISSIONERS**

BOB STUMP, CHAIRMAN  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

2014 MAY 22 AM 10 18

IN THE MATTER OF THE APPLICATION OF  
PAYSON WATER CO., INC. AN ARIZONA  
CORPORATION, FOR A DETERMINATION OF  
THE FAIR VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
WATER RATES AND CHARGES FOR UTILITY  
SERVICE BASED THEREON.

DOCKET NO. W-03514A-13-0111

**ORIGINAL**

IN THE MATTER OF THE APPLICATION OF  
PAYSON WATER CO., INC. FOR AUTHORITY  
TO ISSUE EVIDENCE OF INDEBTEDNESS IN  
AN AMOUNT NOT TO EXCEED \$1,238,000 IN  
CONNECTION WITH INFRASTRUCTURE  
IMPROVEMENTS TO THE UTILITY SYSTEM;  
AND ENCUMBER REAL PROPERTY AND  
PLANT AS SECURITY FOR SUCH  
INDEBTEDNESS.

DOCKET NO. W-03514A-13-0142

**STAFF'S NOTICE OF FILING**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission")  
hereby files a copy of the Notice of Commission Proceeding to Consider Emergency/Interim Rate  
Relief sent by Payson Water Company to its customers via email on May 16, 2014.

RESPECTFULLY SUBMITTED this 22<sup>nd</sup> day of May, 2014.

Arizona Corporation Commission

**DOCKETED**

MAY 22 2014

DOCKETED BY

Brian E. Smith, Staff Attorney  
Robin R. Mitchell, Staff Attorney  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-3402

1 Original and thirteen (13) copies of the  
2 foregoing filed this 22<sup>nd</sup> day of May,  
2014 with:

3 Docket Control  
4 Arizona Corporation Commission  
4 1200 West Washington Street  
Phoenix, Arizona 85007

5  
6 Copy of the foregoing emailed/mailed  
this 22<sup>nd</sup> day of May, 2014, to:

7 Jay Shapiro  
FENNEMORE CRAIG, P.C.  
8 2394 E. Camelback Road, Suite 600  
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## Brian Smith

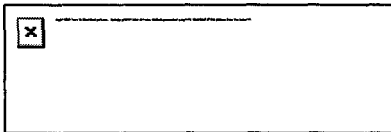
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**From:** BIRK, WHITNEY <WBIRK@FCLAW.com>  
**Sent:** Wednesday, May 21, 2014 2:28 PM  
**To:** Brian Smith  
**Cc:** SHAPIRO, JAY  
**Subject:** FW: NOTICE OF COMMISSION PROCEEDING TO CONSIDER EMERGENCY/INTERIM RATE RELIEF  
**Attachments:** Payson Water 13-0111 customer notice 5-15-14.pdf

Brian,

The notice went out via email on May 16. Please refer to the email below and the attached PDF file.

Whitney A. Birk | Paralegal | Fennemore Craig, P.C.  
2394 East Camelback Road, Suite 600 | Phoenix, AZ 85016  
Tel: 602.916.5720 | Fax: 602.916.5920 | Mobile: 480.225.2089



[www.FennemoreCraig.com](http://www.FennemoreCraig.com)

**IRS CIRCULAR 230 DISCLOSURE:** To ensure compliance with requirements imposed by the IRS, we inform you that, to the extent this communication (or any attachment) addresses any tax matter, it was not written to be (and may not be) relied upon to (i) avoid tax-related penalties under the Internal Revenue Code, or (ii) promote, market or recommend to another party any transaction or matter addressed herein (or in any such attachment). For additional information regarding this disclosure please visit our web site.

**CONFIDENTIALITY NOTICE:** The information contained in this message may be protected by the attorney-client privilege. If you believe that it has been sent to you in error, do not read it. Please immediately reply to the sender that you have received the message in error. Then delete it. Thank you.

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**From:** BIRK, WHITNEY  
**Sent:** Friday, May 16, 2014 3:14 PM  
**To:** 'Kathleen M. Reidhead (kathiereidhead@gmail.com)'; tcbremer@netzero.net; 'SHEP5965@aol.com'; Burt/Gehring (stonemason9859@yahoo.com); 'Glynn Ross (glyr4@aol.com)'; 'Suzanne Nee'  
**Cc:** SHAPIRO, JAY; Robin Mitchell; besmith@azcc.gov; Ashley Hodge (ahodge@azcc.gov); mmartinez@azcc.gov; kchristine@azcc.gov  
**Subject:** FW: NOTICE OF COMMISSION PROCEEDING TO CONSIDER EMERGENCY/INTERIM RATE RELIEF

I'm forwarding the notification sent out by Payson Water Company. Please see below. Thank you.

Whitney A. Birk | Paralegal | Fennemore Craig, P.C.  
2394 East Camelback Road, Suite 600 | Phoenix, AZ 85016  
Tel: 602.916.5720 | Fax: 602.916.5920 | Mobile: 480.225.2089

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**From:** Jason Williamson [<mailto:jw@jwwater.net>]  
**Sent:** Friday, May 16, 2014 2:57 PM

**Payson Water Company - Mesa del Caballo System**  
**Docket Nos. W-03514A-13-0111 and W-03514A-13-0142**

**NOTICE OF COMMISSION PROCEEDING**  
**TO CONSIDER EMERGENCY/INTERIM RATE RELIEF**

In the coming days and weeks, Payson Water Company ("PWC") may be required to obtain supplemental water supplies for its Mesa del Caballo ("MDC") system. PWC asserts that its ability to recover the costs of securing supplemental water for MDC is presently limited to its Commission-approved Water Augmentation Tariff, which authorizes it to recover the costs of water hauling. In its pending rate case, PWC has requested a Purchased Water Adjustment Mechanism ("PWAM"), which would allow it to recover the costs of purchased water obtained through the new pipeline approved in Phase I of this proceeding (Decision No. 74175). The PWAM is not yet available to PWC because its rate case is still pending.

Under the current circumstances, PWC's customers may be subjected to water hauling costs when a cheaper alternative (obtaining water through the new pipeline) may be available. These circumstances may constitute an emergency for MDC and its customers, and may warrant emergency rate relief, such as the imposition of an emergency/interim PWAM in order to recover the reasonable and prudent costs of any supplemental water supplies obtained on or after May 15, 2014. Any such relief would be subject to true-up or refund upon a final decision in the pending rate case.

Examples of **estimated** interim PWAM charges for Typical Usage and High Usage MDC customers are set forth in the attached exhibit.

Commission Staff has suggested that this matter should be scheduled for a special open meeting to be held on **May 22, 2014, at 2:00 p.m.**, in Hearing Room No. 1 at the Commission's offices, 1200 West Washington, Phoenix, Arizona 85007. The open meeting notice can be viewed on the Commission's website. **It is possible that the date and/or time for hearing this matter could be changed, so be sure to check the Commission's website for updated information.**

Written public comments may be submitted by mailing a letter referencing Docket No. W-03514A-13-0111 to the Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, Arizona 85007. If you have any questions concerning how an interim PWAM would affect your bill, or if you have other questions about this matter, you may contact PWC at **7581 E. Academy Boulevard, Suite 229, Denver, Colorado 80230; telephone no. (888) 644-6771 (TOLL FREE); or email at [info@jwwater.net](mailto:info@jwwater.net)** or the Commission's Consumer Service Section at 1-800-222-7000 or 602-542-4251.

**THE COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY PWC, STAFF, OR ANY INTERVENOR. THE COMMISSION WILL DETERMINE THE APPROPRIATE RELIEF TO BE GRANTED BASED ON THE MATTERS PRESENTED BY THE PARTIES. THE FINAL AMOUNT OF ANY EMERGENCY PURCHASED WATER ADJUSTMENT MECHANISM, IF ANY IS GRANTED BY THE COMMISSION, MAY DIFFER FROM, AND MAY BE HIGHER OR LOWER THAN, THE AMOUNT SOUGHT BY PWC OR RECOMMENDED BY OTHER PARTIES.**

**How You Can View or Obtain a Copy of Documents**

Copies of the documents filed in the dockets are available for inspection during regular business hours at PWC's offices (address set forth above) and at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona 85007. Copies of these filed documents are also available on the Internet via the Commission's website ([www.azcc.gov](http://www.azcc.gov)) by selecting the eDocket function at the bottom of the page, entering 13-0111 in the search box on eDocket's main page, using the Linked Documents tab to view the multiple consolidated dockets, and using the Documents tab for each docket to review the documents filed therein.

**ADA/Equal Access Information**

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, e-mail [SABernal@acc.gov](mailto:SABernal@acc.gov), voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

**Payson Water Company**  
**Purchased Water Adjustment Mechanism ("PWAM") Example**  
**When Less Than 100% of All Water Purchased From Town of Payson**

Examples assume that 25% of total water purchased from the Town of Payson

**Example 1 - Typical Usage Customer**

This example illustrates how the surcharge would be calculated for a customer using 4,500 gallons; 75% (or 3,375) from Payson Water Company and 25% (or 1,125) from the Town of Payson.

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Total Usage Assumption	% of Gallons From Town of Payson	Gallons in 1,000's From Town of Payson	Town of Payson Commodity Rate	Avoided Costs <sup>1</sup>	Difference in Rate per 1,000 gal	Surcharge
Block 1	4,000 x 25% =	Col A x Col B 1,000	\$7.48	0.60	Col D - Col E 6.88	Col C x Col F 6.88
Block 2	500 x 25% =	0.125	\$7.48	0.60	6.88	0.86
<b>Total Usage Assumption 4,500</b>		<b>1.125</b>				
Total Monthly Surcharge						\$ 7.74 *
						*Excludes Taxes

**Example 2 - High Usage Customer**

This example illustrates how the surcharge would be calculated for a customer using 25,000 gallons; 75% (or 18,750) from Payson Water Company and 25% (or 6,250) from the Town of Payson.

[A]	[B]	[C]	[D]	[E]	[F]	[G]
Total Usage Assumption	% of Gallons From Town of Payson	Gallons in 1,000's From Town of Payson	Town of Payson Commodity Rate	Avoided Costs <sup>1</sup>	Difference in Rate per 1,000 gal	Surcharge
Block 1	4,000 x 25% =	Col A x Col B 1,000	\$7.48	0.60	Col D - Col E 6.88	Col C x Col F 6.88
Block 2	21,000 x 25% =	5.250	\$7.48	0.60	6.88	36.12
<b>Total Usage Assumption 25,000</b>		<b>6.250</b>				
Total Monthly Surcharge						\$ 43.00 *
						*Excludes Taxes

<sup>1</sup> Avoided Costs are production costs (i.e., chemicals and purchased pumping power) that the Company would not incur when water is purchased for this system rather than pumped from the Company's wells.